

SOLID WASTE SPECIAL SERVICE DISTRICT #1

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A COMPONENT UNIT OF GRAND COUNTY)
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INDEPENDENT AUDITORS' REPORT

Administrative Control Board
Solid Waste Special Service District #1
Moab, Utah 84532

We have audited the accompanying financial statements of the business-type activities of the Solid Waste Special Service District #1 (a component unit of Grand County), as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the financial section of the table of contents. These financial statements are the responsibility of the Solid Waste Special Service District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Solid Waste Special Service District #1, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2006, on our consideration of the Solid Waste Special Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the financial section of the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Solid Waste Special Service District's #1 basic financial statements. The accompanying financial information listed as supporting schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SMUIN, RICH & MARSING



Price, Utah

June 10, 2006

**SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A COMPONENT UNIT OF GRAND COUNTY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Our discussion and analysis of Solid Waste Special Service District #1's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2005. All of the financial activity results from "business-type" activities.

FINANCIAL HIGHLIGHTS

- ❖ Total operating revenues from the business-type activities increased to \$371,159 in 2005 from \$354,304 in 2004. This is an increase of \$16,855, or 4.76% over the prior year.
- ❖ Total operating expenses from the business-type activities decreased to \$482,104 in 2005 down from \$488,149 in 2004, a decrease of \$6,045, or 1.24%.
- ❖ Net assets during 2005 increased by \$86,271. This increase in net assets is due primarily to the increase in charges for services and interest income and a slight decrease of expenditures in 2005.
- ❖ Non-operating revenues and expense for the district were as follows:
 - a. Interest earned in 2005 totaled \$12,072 as compared to \$3,257 in 2004. The increase in interest earnings is due to slightly higher interest rates and higher average cash balances.
 - b. Mineral lease revenue for 2005 was \$200,000, a decrease of \$12,119 over the 2004 balance of \$212,119. (The decrease is due to the District having a cap or maximum amount that will be received from mineral lease revenue.)

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The financial reports; Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows, comprise pages 10-14. Governmental accounting practices that are standard and acceptable have been used and followed in preparation of these reports. The purpose of the financial reports is to identify revenues and expenses resulting from business activities. The net income or (loss) from operations, adjusted for depreciation, identifies the need for further analysis of contracts and programs with their related expenses. Certain key financial ratios taken from the Statement of Net Assets help identify financial strength and liquidity. Since the District is operated as an enterprise fund, there are no fund statements presented because all operations of the District are reported using the accrual method of accounting.

REPORTING THE DISTRICT BUSINESS OPERATIONS

Our analysis of the District as a whole begins on page 10. The key financial reports provide the accounting from which schedules in this report have been created. The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Fund Net Assets summarize the District's business operations for the year and provide a basis for assessing financial strengths and weaknesses. From these reports, trends are monitored and budgets are prepared for future periods. These reports are prepared using the accrual accounting method, which is similar to the accounting methods used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or payment made.

In the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets, the District shows all of the activities in one fund.

- ❖ **Business-type activities** – The District charges businesses and individual customers for collection and storage of solid waste. Charges for these services are based on maximum fees that the local governmental bodies will allow to be charged to the general public. We realize that in order for the District to continue operations, we need to provide a low cost service to the community, without jeopardizing the operations of providing solid waste facilities that are in compliance with federal and state guidelines. The District receives Mineral lease funds that help ensure the continual operation of the facilities. These funds have aided in purchasing needed equipment, and have provided reserves for closure and post-closure care and shortfalls in operational income.

REPORTING THE DISTRICT'S SIGNIFICANT FUND

The District is a special-purpose government engaged in business-type activities. All transactions related to its activities are recorded in a single enterprise fund. Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services (including depreciation), on a continuing basis, be financed or recovered primarily through user charges.

The entity-wide financial statements, which begin on page 10, provide detailed information about the operations of the District as a whole. The District's only fund is operated as an enterprise fund. Enterprise funds are reported using an accrual accounting method, which records expenses when they are incurred and records revenues when they are earned. The District does not have any governmental type funds.

THE DISTRICT AS A TRUSTEE

The District does not hold any funds or property in a trustee capacity.

THE DISTRICT'S KEY FINANCIAL REPORTS

NET ASSET REPORT

	BUSINESS-TYPE ACTIVITIES		
	2004	2005	CHANGE INCREASE (DECREASE)
ASSETS			
Current and other assets	\$ 393,519	\$ 530,478	\$ 136,959
Capital assets (net)	959,881	898,076	(61,805)
Total assets	\$ 1,353,400	\$ 1,428,554	\$ 75,154
LIABILITIES			
Current liabilities	\$ 40,938	\$ 47,921	\$ 6,983
Long-term liabilities	535,700	517,600	(18,100)
Total liabilities	\$ 576,638	\$ 565,521	\$ (11,117)
NET ASSETS			
Invested in Capital Assets, net of debt	\$ 410,581	\$ 363,151	\$ (47,430)
Restricted	105,851	157,031	51,180
Unrestricted	260,330	342,851	82,521
Total net assets	\$ 776,762	\$ 863,033	\$ 86,271

Net Assets total of the District are \$863,033. *Unrestricted* net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – are \$342,851. These net assets are used to finance the continuing operations of providing services to the solid waste facilities.

Federal and State laws require the District to set aside funds for the closure and post-closure of the landfills that are in operation. Engineers have made estimates of the costs associated with closing a landfill operation and the continual monitoring of the facility. The engineers provided the District with an estimated cost if the landfills were closed within twenty-five years of starting operations. The District is obligated to set aside reserve funds each year for the next twenty-five years to ensure that resources are available to cover these anticipated costs. The District has made their required contributions to the reserve account.

A key financial ratio - the Current Ratio - is calculated by dividing current assets by current liabilities. This ratio is an indicator of liquidity and ability to pay current operational bills. The ratio for the year ending December 31, 2005 is 11.07. The District's ratio indicates a strong liquidity position.

	BUSINESS-TYPE ACTIVITIES		
	2004	2005	CHANGE INCREASE (DECREASE)
REVENUES			
Program Revenues:			
Charges for services	\$ 354,304	\$ 371,159	\$ 16,855
General Revenues:			
Interest income - not restricted	3,257	12,072	8,815
Mineral lease revenue	212,119	200,000	(12,119)
Miscellaneous revenue	13,309	285	(13,024)
Total revenues	<u>\$ 582,989</u>	<u>\$ 583,516</u>	<u>\$ 527</u>
EXPENSES			
Program Expense:			
Salaries and benefits	\$ 101,016	\$ 99,752	\$ (1,264)
Professional services	35,885	22,732	(13,153)
Materials and supplies	2,382	2,278	(104)
Utilities and telephone	8,613	7,443	(1,170)
Insurance	20,023	10,975	(9,048)
Depreciation	71,247	61,805	(9,442)
Repairs and maintenance	18,484	2,737	(15,747)
Fuel	2,268	879	(1,389)
Landfill cover	214,855	243,442	28,587
Site operations	7,039	14,608	7,569
Interest	16,209	15,141	(1,068)
Other	6,337	15,453	9,116
Total expenses	<u>\$ 504,358</u>	<u>\$ 497,245</u>	<u>\$ (7,113)</u>
Change in net assets	<u>\$ 78,631</u>	<u>\$ 86,271</u>	<u>\$ 7,640</u>
Net assets - beginning	\$ 698,131	\$ 776,762	
Net assets - ending	<u>776,762</u>	<u>863,033</u>	
Change in net assets	<u>\$ 78,631</u>	<u>\$ 86,271</u>	<u>\$ 7,640</u>

The District's increase in net assets is due to the additional amount charged for services and an increase in interest revenue as well as a decrease in expenses during 2005. The District is striving each year to provide sufficient revenue to cover the operating costs of the District. The ability to continue to operate efficiently and provide the necessary services for the County continues to be the main goal and focus of the District.

CASH SOURCES AND USES

Beginning cash balance as of January 1, 2005	\$ 302,644
Change in net assets:	\$ 86,271
Depreciation (source of cash)	61,805
Accounts receivable decrease (use of cash)	14,664
Due from other governments decrease (use of cash)	4,884
Accounts payable decrease (use of cash)	(5,972)
Due to other governments increase (use of cash)	11,966
Payroll liabilities decrease (use of cash)	(448)
Interest payable decrease (use of cash)	(1,063)
Debt payments - principal (use of cash)	(15,600)
Total change in net assets	\$ 156,507
Ending cash balance as of December 31, 2005	\$ 459,151

Use of funds is controlled and authorized by the District's Administrative Control Board. The Administrative Control Board relies heavily on key personnel who are responsible to oversee the day-to-day operations. The District's Manager, or other designated supervisor, is crucial to supervising and monitoring the solid waste facilities. The Board reviews the monthly financial information, compares year to date expenses to budget and makes necessary suggestions and/or corrections. The Administrative Control Board approves all major capital expenditures. The Board approves an annual operational budget and forwards it to the Grand County Council, the City of Moab, the Town of Castle Valley, and also submits copies of the budget to the State Auditor as required by Utah State law.

BUSINESS ACTIVITIES AND PURPOSES

Charging businesses and individuals, who use the landfill facilities, generates revenues for the District. The District also relies on mineral lease funds to cover shortages in operating revenues and also for equipment purchases. The District provides services to a variety of customers and has estimated, each year, the amount of anticipated usage. These estimates allow the District to plan for growth and potential life expectancy of the existing landfills. The objective and purpose of the District is to provide environmentally sound facilities (landfills) for the community, which meet regulatory requirements at the lowest possible cost. As the need for landfill space continues to grow, the District will continue to review the landfill capacity of the landfills and ensure that sufficient storage space will be available for future use.

DEBT MANAGEMENT

As of December 31, 2005, the District had \$480,700 in Landfill Revenue Bonds, Series 1997A outstanding. The original debt of \$525,000 was accepted by the Board in 1997 for the purpose of the acquisition, construction, furnishing and equipping a Class I solid waste management landfill facility in the Klondike Flats area, North of Canyonlands Field in Grand County, and the improvement of the existing solid waste management landfill facility on Sand Flat Road in Moab as a Class IV solid waste management landfill.

As of December 31, 2005, the District had \$53,000 in Tippage Fee Revenue Bonds outstanding. The original debt of \$55,000 was issued in 2004 for the purpose of purchasing an electronic scale for the Klondike Landfill. For more detailed information about the District's long-term liabilities, see the presentation located in note 9 on pages 24, 25 and 26 of this report.

BUDGETARY HIGHLIGHTS

The 2005 budget was adopted on December 2, 2004. Since the District operates as an enterprise fund, it is only required to comply with the budget on an entity wide basis. The original budget submitted to the Utah State Auditors office was \$555,415. The 2005 budget was amended on April 7, 2005, to increase the budget from \$555,415 to \$585,119. After the auditor's adjustments, the actual expenditures amounted to \$512,845, which includes \$15,600 of bond principal repayments. The budget was under spent by \$72,274.

CAPITAL ASSETS

As of December 31, 2005, the District had net capital assets of \$898,076. The decrease of \$61,805 in net capital assets, in comparison to the prior year, is due to the 2005 depreciation. No new assets were acquired in 2005. Budgets have been created that account for the purchase of the capital assets and Board approval is needed for all major capital expenditures. The following table shows the balance of net capital assets at December 31, 2005.

Capital Assets at Year-end (Net of Depreciation) 2005

	Business-Type Activities	
	2004	2005
Land	\$ 247,576	\$ 247,576
Land improvements	580,040	539,481
Buildings/building improvements	36,088	34,595
Improvements other than buildings	4,442	3,966
Equipment	91,149	72,051
Furniture and fixtures	586	407
Net capital assets	<u>\$ 959,881</u>	<u>\$ 898,076</u>

CAPITAL ASSETS (Continued)

The District's fiscal year 2006 capital budget anticipates expending \$110,000 for capital expenditures. This will be for equipment and improvements relating to the landfill operations.

ECONOMIC FORECAST AND FUTURE BUDGET

The Administrative Control Board is still relying on mineral lease funds for the 2006 calendar year budget. However, it has determined that over the course of the next several years it will seek alternative sources of funding to assure future stability. Currently, we will continue to work with the cities within Grand County and the Grand County Council to assess the feasibility of other options. These other options may result in a County-wide assessment for solid waste infrastructure costs, a mandatory garbage collection ordinance, an interlocal agreement, etc.

The next year's budget should remain essentially the same in total income and expenses. The Administrative Control Board continues to operate the District based on environmentally sound landfill management practices and highly trained operators, as it seeks to provide County-wide, integrated solid waste management.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of Solid Waste Special Service District #1's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Manager at 1000 East Sand Flats Road or PO Box 980, Moab, Utah, 84532.

SOLID WASTE SPECIAL SERVICE DISTRICT # 1
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

BUSINESS-TYPE ACTIVITY
ENTERPRISE FUND

SOLID WASTE FACILITY

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 37,873
Investments	264,247
Restricted assets:	
Investments	157,031
Accounts receivable	27,261
Due from other governments	44,066
	<hr/>
Total current assets	\$ 530,478
	<hr/>
Fixed assets:	
Land	\$ 247,576
Land improvements	935,685
Buildings/Building improvements	54,309
Improvements other than buildings	12,195
Equipment	167,254
Furniture and fixtures	2,884
Accumulated depreciation	(521,827)
	<hr/>
Net fixed assets	\$ 898,076
	<hr/>
Total assets	\$ 1,428,554
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"The accompanying notes are an integral part of this statement."

EXHIBIT 1
(Continued)

SOLID WASTE SPECIAL SERVICE DISTRICT # 1
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

BUSINESS-TYPE ACTIVITY
ENTERPRISE FUND

SOLID WASTE FACILITY

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 18,255
Due to other governments	11,966
Payroll taxes payable	375
Accrued interest payable	1,225
Current portion long-term debt	16,100

Total current liabilities \$ 47,921

Long-Term Debt:

Bonds payable (less current portion)	\$ 517,600
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Total long-term debt \$ 517,600

Total liabilities \$ 565,521

Net Assets:

Investment in capital assets, net of related debt	\$ 363,151
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Restricted for:

Debt service and closure costs	157,031
Unreserved	342,851

Total net assets \$ 863,033

Total liabilities and net assets \$ 1,428,554

"The accompanying notes are an integral part of this statement."

SOLID WASTE SPECIAL SERVICE DISTRICT # 1
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND
	<u>SOLID WASTE FACILITY</u>
Operating Revenues:	
Charges for services	\$ 371,159
Total operating revenue	<u>\$ 371,159</u>
Operating Expenses:	
Salaries and benefits	\$ 99,752
Professional services	22,732
Office supplies	2,278
Utilities and telephone	7,443
Travel and vehicle expense	2,652
Insurance	10,975
Depreciation	61,805
Public notices	177
Postage and freight	165
Training and memberships	2,209
Repairs and maintenance	2,737
Fuel	879
Landfill cover	243,442
Site operations	14,608
Miscellaneous	10,250
Total operating expenses	<u>\$ 482,104</u>
Operating income/(loss)	<u>\$ (110,945)</u>
Non-operating revenues/(expenses):	
Interest income	\$ 12,072
Mineral lease revenue	200,000
Miscellaneous revenue	285
Interest expense	(15,141)
Total non-operating revenues (expenses)	<u>\$ 197,216</u>
Change in net assets	<u>\$ 86,271</u>
Total net assets, January 1, 2005	<u>776,762</u>
Total net assets, December 31, 2005	<u>\$ 863,033</u>

"The accompanying notes are an integral part of this statement."

SOLID WASTE SPECIAL SERVICE DISTRICT # 1
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

Cash flows from operating activities:		
Cash received from customers	\$ 390,707	
Cash payments to suppliers for goods and services	(314,553)	
Cash payments to employees for services	(100,200)	
	<hr/>	
Net cash provided (used) by operating activities		\$ (24,046)
Cash flows from noncapital financing activities:		
Mineral lease funds	\$ 200,000	
Miscellaneous revenue	285	
	<hr/>	
Net cash provided (used) by noncapital financing activities		200,285
Cash flows from capital and related financing activities:		
Principal paid on revenue bonds	\$ (15,600)	
Interest paid on revenue bonds	(16,204)	
	<hr/>	
Net cash (used) for capital and related financing activities		(31,804)
Cash flows from investing activities:		
Interest on investments received	\$ 12,072	
	<hr/>	
Net cash provided (used) by investing activities		<hr/> 12,072
Net increase (decrease) in cash and cash equivalents		\$ 156,507
Cash and cash equivalents at beginning of year		<hr/> 302,644
Cash and cash equivalents at end of year		<hr/> <hr/> \$ 459,151

"The accompanying notes are an integral part of this statement."

SOLID WASTE SPECIAL SERVICE DISTRICT # 1
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)		\$ (110,945)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 61,805	
Change in assets and liabilities:		
Decrease in accounts receivable	14,664	
Decrease in due from other governments	4,884	
Decrease in accounts payable	(5,972)	
Increase in due to other governments	11,966	
Decrease in payroll taxes payable	(448)	
Total adjustments		<u>86,899</u>
Net cash provided by operating activities		<u>\$ (24,046)</u>

"The accompanying notes are an integral part of this statement."

**SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A COMPONENT UNIT OF GRAND COUNTY)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Solid Waste Special Service District #1 (referred to as the District hereafter) have been prepared in conformity with accounting principles generally accepted in the United State of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, (as amended by GASB Statement No. 37) Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Certain significant changes in the Statement include the following:

1) The financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operations.

This and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

A. Reporting Entity

The District (formerly the Grand County Solid Waste Management Special Service District # 1) was created as a special service district by the Grand County Council pursuant to the terms and provisions of Title 11, Chapter 23, Utah Code Annotated, 1953, as amended on September 16, 1987. The District is controlled by an Administrative Control Board and is a component unit of Grand County. The Board's authority is derived from the County Council, who has ultimate responsibility for the District.

All financial activities over which the District has oversight responsibility are included in this report. The basis for inclusion or exclusion of other entities in the District's financial statements was based on the criteria set forth in the Governmental Accounting Standards Board (GASB) pronouncements. The basic criteria for including an entity, a board, or an agency in this report is the existence and exercise of oversight responsibility; consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operations, and accountability for fiscal matters. According to the above criteria, no other entities have been included in the District's financial statements.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. **Government-Wide Financial Statements**

The government-wide financial statements consist of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Fund Net Assets and the Statement of Cash Flows. The District is considered a special-purpose government engaged only in business-type activities. It is classified as a proprietary fund type and operates as an enterprise fund. Enterprise funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that its costs to providing goods and services to the general public on a continuing basis, be financed or recovered primarily through user charges. The function of the District is to oversee, administer and manage landfills within Grand County and other services related to solid waste management. The financial statements of the District consist only of an enterprise fund and neither fiduciary funds nor component units that are fiduciary in nature are included.

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Therefore, revenues are recognized in the accounting period in which they are earned and become measurable and expenses are recognized in the period incurred, if measurable.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally, are followed in the government wide or proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for business-type activities, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first then unrestricted resources, as they are needed.

Amounts reported as charges for services include all charges for all types of services charged to businesses and individuals. Amount reported as mineral lease revenue consists of funds received by the District that are provided as a resource of funds to the County that are allocated to several districts.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for solid waste storage. Operating expenses for the District include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

D. **Capital Assets**

Capital assets, which include, land, buildings, improvements, equipment and furniture and fixtures are reported in the government-wide financial statements. Capital assets are defined by the District, as an asset with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation. The costs or normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The District has adopted an asset capitalization policy of \$200, which determines the threshold amount of purchases that are either expensed or depreciated.

Assets of the District are depreciated using the straight-line method over the following estimate useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	7 - 30
Improvements	7 - 30
Equipment	5 - 7
Furniture and fixtures	5 - 10

E. **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the District are reported at fair value. The State Treasurer's Investment Fund operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the value of the pool shares.

F. **Net Assets**

The difference between total assets and total liabilities represents equity or net assets. Net assets presented in the statement of net assets are subdivided into three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

G. **Budget and Budgetary Accounting**

The District follows the budgetary practices and procedures required by State law. These requirements are summarized as follows:

1. A formal budget is adopted by the District.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. In accordance with State law, all appropriations lapse at the end of the budget year; accordingly, no encumbrances are recorded. As its option, the District may permit its expenditure accounts to remain open for a period of 30 days after the close of its fiscal year for the payment of approved invoices for goods received or services rendered prior to the close of the fiscal year.
3. The District Treasurer prepares a tentative budget and submits it for review with the Administrative Control Board at the October meeting. The tentative budget shall be submitted for Board approval at the November meeting.
4. After approval by the Board, the District Secretary shall submit the budget to the Grand County Council, the City of Moab, and the Town of Castle Valley.
5. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
6. Notice of the scheduled public hearings is published at least seven days prior to the meetings.
7. The District Secretary presents the tentatively adopted budget to the public in December at a public hearing. Members of the public may comment on the budget and recommend changes to the Administrative Control Board.
8. The Administrative Control Board considers the comments made by the public and makes final adjustments to the budget.
9. By December, the Administrative Control Board adopts the budget by resolution. A copy of the budget is certified by the Administrative Control Board Secretary and is filed with the State Auditor within 30 days of adoption. A certified copy of the budget is available for public inspection.
10. The budget may be amended to reflect changes in circumstances that occur during the year. Budgets may be increased by resolution of the Board at any time during the year.
11. Under the Utah Code, the District's budget establishes maximum legal authorization for expenditures during the fiscal year. The District Clerk shall certify as appropriate that a claim has been pre-audited, documented, and approved by the Board, or the Treasurer or Deputy Treasurer, and does not over expend the appropriate departmental budget established by the Board. Expenditures are not to exceed the budget amounts, including revisions, except as allowed by the Code for certain events.

H. **Accounting Method**

The full accrual method of accounting is being used. Under the accrual method of accounting, revenues are recognized when they are earned and expenses are recorded when they are incurred.

2. DEPOSITS AND INVESTMENTS

The District maintains no investment policy containing any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by the Utah Money Management Act (Utah Code, Section 51, Chapter 7).

Cash and investments as of December 31, 2005 consist of the following:

	<u>Fair Value</u>
Cash on hand	\$ 170
Demand deposits - checking	37,703
Savings accounts and time certificates	39,611
Investments - PTIF	<u>381,667</u>
Total cash and investments	<u>\$ 459,151</u>

Cash and investments listed above are classified in the accompanying statement of net assets as follows:

Cash and investments	\$ 302,120
Restricted investments	<u>157,031</u>
	<u>\$ 459,151</u>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2005, the District's bank balance of cash on deposit was \$91,825 of this amount all was insured.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, 2005, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State of Utah Public Treasurer's Investment Fund	\$ 381,667	\$ 381,667			
Total Investments	<u>\$ 381,667</u>	<u>\$ 381,667</u>	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>

2. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The District also manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments but the District informally follows the policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At December 31, 2005, the District had the following investments and quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
State of Utah Public Treasurer's Investment Fund	\$ 381,667				\$ 381,667
Total	<u>\$ 381,667</u>	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 381,667</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

2. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of December 31, 2005, the District had \$381,667 invested in the Public Treasurer's Investment Fund and was held by them.

3. ACCOUNTS RECEIVABLE

Accounts receivable include the accrued waste collection billings. For the year ended December 31, 2005, no allowance for doubtful accounts had been recorded on the books.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	Balance 12-31-04	Additions	Adjustments & Retirements	Balance 12-31-05
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 247,576			\$ 247,576
Total capital assets not being depreciated	\$ 247,576	\$...	\$...	\$ 247,576
Capital assets being depreciated:				
Land improvements	\$ 935,685			\$ 935,685
Buildings/improvements	54,309			54,309
Improvements, other	12,195			12,195
Equipment	167,254			167,254
Furniture and fixtures	2,884			2,884
Total capital assets being depreciated	\$ 1,172,327	\$...	\$...	\$ 1,172,327

4. **CAPITAL ASSETS (Continued)**

	<u>Balance 12-31-04</u>	<u>Additions</u>	<u>Adjustments & Retirements</u>	<u>Balance 12-31-05</u>
Business-type activities:				
Less accumulated depreciation for:				
Land improvements	\$ 355,644	\$ 40,559		\$ 396,203
Buildings/improvements	18,221	1,493		19,714
Improvements other	7,753	476		8,229
Equipment	76,106	19,098		95,204
Furniture and fixtures	2,298	179		2,477
Total accumulated depreciation	<u>\$ 460,022</u>	<u>\$ 61,805</u>	<u>\$...</u>	<u>\$ 521,827</u>
Total capital assets, being depreciated, net	<u>\$ 712,305</u>	<u>\$ (61,805)</u>	<u>\$...</u>	<u>\$ 650,500</u>
Business-type activities capital assets, net	<u>\$ 959,881</u>	<u>\$ (61,805)</u>	<u>\$...</u>	<u>\$ 898,076</u>

5. **PENSION PLAN**

Local Governmental – Cost Sharing

Plan Description. The District contributes to the Local Contributory Retirement System, Local Governmental Noncontributory Retirement System, which are all for cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement systems (Systems). Utah Retirement systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

5. **PENSION PLAN (Continued)**

Funding Policy: For plan members enrolled in the Local Governmental Noncontributory Retirement System, the District is required to contribute 11.09% of their covered salary earned from January 2005 through June 2005 and 11.09% from July 2005 through December 2005. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District's contributions to the Noncontributory Retirement System for the years ending December 31, 2005, 2004, and 2003 were \$6,218, \$6,361 and \$8,218, respectively. The contributions were equal to the required contributions for each year.

6. **COMPENSATED ABSENCES**

There were no employees of the District who, at year-end, had any payroll benefits to accrue for compensated absences.

7. **LANDFILL LIABILITIES**

The District operates two landfills. The Moab Landfill is a Class IVb landfill, which is owned by the City of Moab and Grand County. The Moab Landfill accepts construction and demolition debris and yard waste. The District monitors the closed portion of the old Moab Landfill to assure compliance and oversees the operations of the Class IVb Moab Landfill.

The Klondike Landfill is a Class I landfill, which is owned by the District. The Klondike Landfill accepts municipal solid waste from contracted haulers only. The District has had engineers provide information necessary to determine closure and postclosure care costs. The District is funding the amounts that have been established in a separate account for partial deferral and current year closure costs.

8. **RESTRICTED INVESTMENTS/NET ASSETS**

Restricted investments consist of funds deposited in the State Treasurer's Investment Pool in order to meet the District's debt sinking fund requirements and their landfills' closure and postclosure care costs. Likewise, these funds have been restricted in the net assets.

9. **LONG-TERM DEBT**

Business-type Activities

During 1997, the District issued Solid Waste Revenue Bonds, Series 1997A, dated February 7, 1997, in the District's name for \$525,000 to Zions First National Bank, bearing an interest rate of three percent, payable over 30 years. The purpose was to finance all or a portion of the costs of the acquisition, construction and improvement of a solid waste landfill facility in the Klondike Flats area, together with related improvements, equipment and accessories for use in connection with the issuer's solid waste management system and closure of old Moab Landfill.

9. **LONG-TERM DEBT (Continued)**

In 1999, the Community Impact Board suspended payments on the bonds during the years 1999 and 2000. The interest accrued during these two years was added to the principal balance of the bonds. Normal payments resumed on December 1, 2001 and will continue until December 1, 2027. The final payment to be made in the year December 2027 will include the accrued interest from 1999 and 2000. The repayment schedule is as follows:

<u>Due Date</u> <u>December 1,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006	\$ 14,421	\$ 14,100	\$ 28,521
2007	13,998	14,600	28,598
2008	13,560	15,000	28,560
2009	13,110	15,500	28,610
2010	12,645	16,000	28,645
2011 - 2015	55,725	87,500	143,225
2016 - 2020	41,835	101,000	142,835
2021 - 2025	25,650	120,000	145,650
2026 - 2027	5,010	97,000	102,010
	<u>\$ 195,954</u>	<u>\$ 480,700</u>	<u>\$ 676,654</u>

On March 22, 2004, the District issued Tippage Fee Revenue Bonds, Series 2004 in the principal amount of \$55,000 together with an interest rate of two and one-half percent per annum, payable over 20 years. Principal and interest payments become payable beginning on January 1, 2006 and on each January 1st thereafter until maturity. The purpose of the bond was to finance the cost of an electronic scale at the Klondike Landfill. The repayment schedule is as follows:

<u>Due Date</u> <u>January 1,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006	\$ 1,325	\$ 2,000	\$ 3,325
2007	1,275	2,000	3,275
2008	1,225	2,000	3,225
2009	1,175	2,000	3,175
2010	1,125	2,000	3,125
2011-2015	4,875	11,000	15,875
2016-2020	3,250	15,000	18,250
2021-2025	1,250	17,000	18,250
	<u>\$ 15,500</u>	<u>\$ 53,000</u>	<u>\$ 68,500</u>

9. **LONG-TERM DEBT (Continued)**

The following schedule shows the activity of the bonds for the year ended December 31, 2005:

	<u>Bonds Payable December 31, 2004</u>	<u>New Debt Issued</u>	<u>Payments</u>	<u>Bonds Payable December 31, 2005</u>	<u>Principal Due Within One Year</u>
Solid Waste Management					
Revenue Bonds 1997A	\$ 494,300		\$ (13,600)	\$ 480,700	\$ 14,100
Tippage Bonds, Series 2004	55,000		(2,000)	53,000	2,000
	<u>\$ 549,300</u>	<u>\$...</u>	<u>\$ (15,600)</u>	<u>\$ 533,700</u>	<u>\$ 16,100</u>

10. **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover these liabilities, the District has contracted with commercial insurance companies. There have been no significant reductions in insurance coverage from coverage in the prior year. The District pays an annual premium for this coverage.

SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A COMPONENT UNIT OF GRAND COUNTY)
DETAIL STATEMENT OF REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2005

	<u>ADMINISTRATIVE</u>	<u>LANDFILL</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Charges for services		\$ 371,159	\$ 371,159
 Total operating revenues	 \$...	 \$ 371,159	 \$ 371,159
OPERATING EXPENSES			
Salaries and benefits	\$ 99,752		\$ 99,752
Professional services	19,292	\$ 3,440	22,732
Office supplies	756	1,522	2,278
Utilities	6,268	1,175	7,443
Travel and vehicle expense	2,652		2,652
Insurance	10,975		10,975
Depreciation	21,246	40,559	61,805
Public notices	177		177
Postage and freight	165		165
Training and memberships	2,209		2,209
Repairs and maintenance		2,737	2,737
Fuel	879		879
Landfill cover		243,442	243,442
Site operations		14,608	14,608
Miscellaneous	10,250		10,250
 Total operating expenses	 \$ 174,621	 \$ 307,483	 \$ 482,104
 Operating income	 \$ (174,621)	 \$ 63,676	 \$ (110,945)
NON-OPERATING REVENUES (EXPENSES):			
Interest income	\$ 12,072		\$ 12,072
Mineral lease revenue	200,000		200,000
Miscellaneous revenue	285		285
Interest expense		\$ (15,141)	(15,141)
 Total non-operating revenues (expenses)	 \$ 212,357	 \$ (15,141)	 \$ 197,216
 Change in net assets	 \$ 37,736	 \$ 48,535	 \$ 86,271

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

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DOUGLAS RASMUSSEN, C.P.A.

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Administrative Control Board
Solid Waste Special Service District #1
Moab, Utah 84532

Re: Report on Legal Compliance with
Applicable Utah State Laws and
Regulations

We have audited the financial statements of the business-type activities of the Solid Waste Special Service District #1 for the year ended December 31, 2005, and have issued our report thereon dated June 10, 2006. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2005. The District received the following major State assistance program from the State of Utah:

Mineral Lease (Department of Transportation)

The District did not receive any nonmajor grants during the year ended December 31, 2005.

Our audit also included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt
Purchasing Requirements
Budgetary Compliance

Special Districts
Other General Issues
Cash Management

The management of Solid Waste Special Service District #1 is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Solid Waste Special Service District #1 complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended December 31, 2005.

SMUIN, RICH & MARSING

Smuin, Rich & Marsing

Price, Utah

June 10, 2006

SMUIN, RICH & MARSING

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UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Administrative Control Board
Solid Waste Special Service District #1
Moab, Utah 84532

RE: Report on Compliance and other matters
and on Internal Control Over Financial
Reporting Based on an Audit of Financial
Statements Performed in Accordance With
Government Auditing Standards

We have audited the financial statements of Solid Waste Special Service District #1 as of and for the year ended December 31, 2005, and have issued our report thereon dated June 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the board of trustees and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

Smuin, Rich & Marsing

Price, Utah

June 10, 2006

SMUIN, RICH & MARSING

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MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Administrative Control Board
Solid Waste Special Service District #1
A Component Unit of Grand County
Moab, Utah 84532

Board Members:

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the financial statements of Solid Waste Special Service District #1 for the year ended December 31, 2005.

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems and procedures, this memorandum should not be considered all-inclusive.

We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions.

UTAH STATE COMPLIANCE ISSUES

CASH DISBURSEMENTS

While reviewing payments to vendors, cancelled checks, supporting documentation, we noted a few items that need to be corrected. (1) All supporting documentation was not available for review when performing our cash disbursement test. (2) Several checks had been used out of date sequence. (3) Several voided checks were not sufficiently altered to ensure misuse. Signatures and amounts were on some of the checks and very little indication that it should be voided was entered on the check.

We recommend that all transactions have adequate supporting documentation for verification and subsequent review. The District needs to use checks in proper sequence to help with internal controls, safeguarding of check stock and reconciliation. The District needs to sufficiently alter all checks that have been voided to ensure that if the checks are lost or stolen, they cannot be used. Every effort should be made, when disbursing funds, to comply with the District's own policy for cash disbursements.

District's Response

The District will review their procedures, make sure that adequate supporting documentation is available for review and inspection, use checks in proper sequence and alter voided checks sufficiently to comply with the auditors recommendations..

UTAH STATE COMPLIANCE ISSUES (Continued)

BUDGET COMPLIANCE

Utah Code, Section 17A-1, requires the District to establish the time and place of the public hearing to consider the adoption of the budget and shall publish notice of the hearing at least seven days prior to the hearing in a newspaper of general circulation published within the county in which the entity is located. The District did not publish for the 2005 budget hearing at least 7 days in advance.

We recommend that the District comply with State code and publish hearing notices within the time frame allowed by law.

District's Response

The District will publish the notices within the time period allowed by State code.

INTERNAL CONTROL ISSUES

DONATION OF ASSETS OR SUPPLIES

While reviewing the assets maintained by the District, we found that other government agencies had donated equipment and/or supplies to the District during the current calendar year. The equipment and supplies were being used and owned by the District. The District had not made the appropriate entries in their books to record the donation of the equipment and/or supplies.

We recommend that whenever the District receives a donation of equipment or supplies, that a proper entry in the financial statements (fair market value) for a contribution from the source of the donation and a corresponding offset entry be made to correctly reflect the transaction.

District's Response

The District will properly record the donated items and in the future will correctly record the necessary entries in the financial statements.

BOARD MINUTES

While reviewing the minutes of the board meetings, the District was unable to locate the minutes for two of the board meetings that happened in December 2005. We were able to review agendas and other supporting documentation that was reviewed and verified, but the written information was not available. During the year, many transitions have taken place. Turnover of key personnel at the District has created a void of continuity and the processing and retaining of information has changed by each individual.

We recommend that the District establish procedures that will be executed by everyone who is involved either in the processing or the filing of information for the District. Minutes are a very crucial part of the District's operations and need to be safeguarded for subsequent review.

INTERNAL CONTROL ISSUES (Continued)

District's Response

The District is in the process of establishing and maintaining a systematic process of filing and retaining information. We understand the requirements to have all necessary documents and information pertaining to the actions of the board. We will continue to implement these processes.

COLLECTION OF FUNDS – MOAB LANDFILL

The District collects some funds at the Moab landfill, but needs to implement and improve the process of receipting those funds so checks and balances can be administered. Those who collect funds need to give proper receipts and then when the funds are brought to the business office, an accounting and receipting process needs to be performed.

We recommend that the District evaluate the collection process by the Moab Landfill and implement processes that will allow a receipting process to be maintained. Although the funds collected are not material, the District should try to improve complying with adequate documentation for collection of funds.

District's Response

The District will review the processes of collection of funds at the Moab Landfill and make necessary changes as deemed necessary and proper.

BOARD INVOLVEMENT IN OPERATIONS

The District has a limited staff that maintains the operations and financial aspects of the day to day activity. Only one person is mainly involved in the receipting, disbursing and safeguarding the assets. The Board needs to take a very active roll in the reviewing of transactions and supporting documentation, reviewing bank statement reconciliations, bank depositing, receipting of funds and other pertinent items.

We recommend the Board assign individuals to oversee the operations of the District on a regular basis. The involvement of the Board is essential for strengthening internal controls.

District's Response

The Board realizes and understands the necessity for involvement in the day to day operations and will take a more active role in these processes.

SUMMARY

We feel the State of Utah Legal Compliance issues and internal control item mentioned above are some areas where the District can make changes so as to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operating efficiency.

Sincerely,

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Smuin, Rich & Marsing".

Price, Utah

June 10, 2006